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Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
**Environmental and Public Protection
Cabinet**

Teresa Hill
Vice Chairman

Christopher L. Lilly
Commissioner
Department of Public Protection

Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

NEWS RELEASE

Contact:
Andrew Melnykovich
(502) 564-3940 x208
(502) 330-5981 (cell)

PSC APPROVES POWER PLANT EXPANSION IN CLARK COUNTY
EKPC to add units at J.K. Smith facility near Trapp

FRANKFORT, Ky. (Aug. 29, 2006) – The Kentucky Public Service Commission (PSC) today granted East Kentucky Power Cooperative, Inc. (EKPC) permission to construct a coal-fired unit and five gas-fired units at its J.K. Smith Power Station in Clark County.

EKPC requires the additional generating capacity to meet rising demand from its 16 member electric cooperatives and additional load that will be created when it begins supplying power in 2008 to the Warren Rural Electric Cooperative Corp. (RECC).

The coal-fired unit, with a capacity of 278 megawatts, will be the first at Smith. It will use a technology known as circulating fluidized bed (CFB), which burns coal more cleanly than conventional boilers without the need for extensive pollution-control equipment. EKPC last year began operating a nearly identical CFB unit at its Spurlock Generating Station in Mason County, and is building a second CFB unit at Spurlock.

EKPC currently operates seven gas-fired turbine generators of varying capacities at the Smith facility.

The five additional gas-fired turbines will have a capacity of 90 megawatts each and will be used to supply power at times of peak demand. Three of the units are needed to meet the increasing needs of EKPC's current members, while two will be needed in 2008 to supply Warren RECC.

Warren RECC currently buys its electricity from the Tennessee Valley Authority, but will end that relationship in 2008.

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In its review of EKPC's application, the PSC concluded that construction of the new plant would be the most cost-effective way for the utility to meet its future need for base load and peaking generation. The additional generation will reduce EKPC's need to purchase power from outside sources.

In approving construction of the new generating units, the PSC noted that a site assessment found no adverse impact on the surrounding area. EKPC will take steps to reduce noise from the facilities and will schedule construction work to avoid creating traffic congestion on area roads.

The new generating facilities will be in the same general location as a 540-megawatt plant proposed earlier by Kentucky Pioneer Energy, which in 2000 had contracted to sell power to EKPC. Kentucky Pioneer was unable to begin construction of the plant on schedule and EKPC terminated the contract in October 2004.

EKPC is owned by the 16 distribution cooperatives to which it provides wholesale electric generation and transmission service. Those distribution cooperatives serve about 500,000 customers in 89 Kentucky counties.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2005-00053.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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